

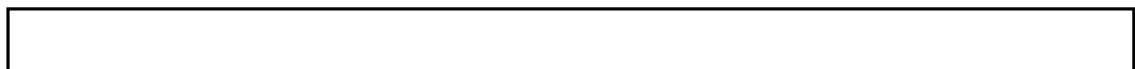
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11 December 1962

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CENTRAL INTELLIGENCE BULLETIN



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DAILY BRIEF

USSR: The Soviet economic plan for 1963 presented at the current session of the Supreme Soviet reveals few major changes in economic policy.

Gross industrial production is scheduled for increase by 8 percent--the lowest rate since 1959, but only a shade below the 8.1 percent scheduled for 1962. State investment--which slumped in 1961-62--is to increase by 9.9 percent, compared to the 8.1 percent increase planned for and apparently achieved in 1962.

Output of crude steel is to increase at the lowest rate of any year since the start of the Seven-Year Plan--1959. Soviet planners may have decided on this course in response to Khrushchev's recent call for reduced emphasis on steel in favor of chemical substitutes. However, the planned increase of 17 percent in the chemical industry is about that expected to be achieved in 1962 and less than would be needed to fill Seven-Year-Plan goals.

The Plan envisages little change in the modest rate in the improvement of the consumer's lot. Investment in light industry is scheduled to increase 22 percent--well below the increases planned for 1961 and 1962, which were not attained. Housing construction is planned at the lowest level since 1959, though about 10 percent more than in 1962.

No major increase in state support for agriculture is planned for 1963. State investment will probably

do little more than provide the additional collective farms which are being brought into the state system. Tractor production is to increase at about the same rate as planned for 1962. The planned increase in fertilizer production is below the rate needed to meet the goal of the Seven-Year Plan.

*Like the Plan, the 1963 budget appears to be fairly routine. Expenditures are set at 86.1 billion rubles--4.1 percent above 1962 performance; revenues are planned at 87.6 billion rubles--3.4 percent above 1962. Planned military expenditures of 13.9 billion rubles represent a 4 percent increase over the 1962 plan. The expenditure for science, much of which is devoted to missile and space research and development, is to increase by 9 percent.

*As in previous budgets, a significant portion of military expenditures is probably hidden in categories other than defense and science. In 1961 and 1962 it was about 20-25 percent of the total military outlay. [REDACTED]

[REDACTED]

India - Communist China: In publicly rejecting on 10 December Peiping's proposals for mutual withdrawal, Nehru put both the Chinese and the participants in the Colombo conference on notice that India is willing to risk a resumption of fighting rather than acquiesce to Chinese terms.

The Indian leader's remarks to Parliament were made in response to Peiping's memorandum of 9 December which called on India to quit stalling on the Chinese proposals.

In Colombo, the opening conference session on 10 December was public and devoted mainly to platitudes. Subsequent sessions will be private.

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India-Pakistan: (The cabinet-level talks on Kashmir agreed to by Nehru and Ayub will be held during the last week in December.)

(Most Pakistani officials doubt India's good faith but hope Western pressures will force New Delhi to negotiate in earnest. Partly to encourage such pressure, the Ayub regime now is emphasizing privately that its own domestic control will be endangered should the negotiations fail to make some progress.)

(Nehru apparently continues to view the talks more as a necessary exercise than as serious negotiation. There is no indication that any significant Indian concessions are under consideration in New Delhi.)

(Neither side has named outstanding national figures to head its delegation. Indian Railways Minister Swaran Singh presumably will be given very little negotiating latitude. The leader of the Pakistani delegation, Minister of Natural Resources Bhutto, is likely to prove a particularly tough negotiator; he probably will be especially interested in furthering his ambitions to become foreign minister.)

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East Germany: East Germany's Stalinist leader, Ulbricht, is moving to impose upon his party Moscow's line on peaceful coexistence and de-Stalinization, with its current implication of a softer line on Berlin.

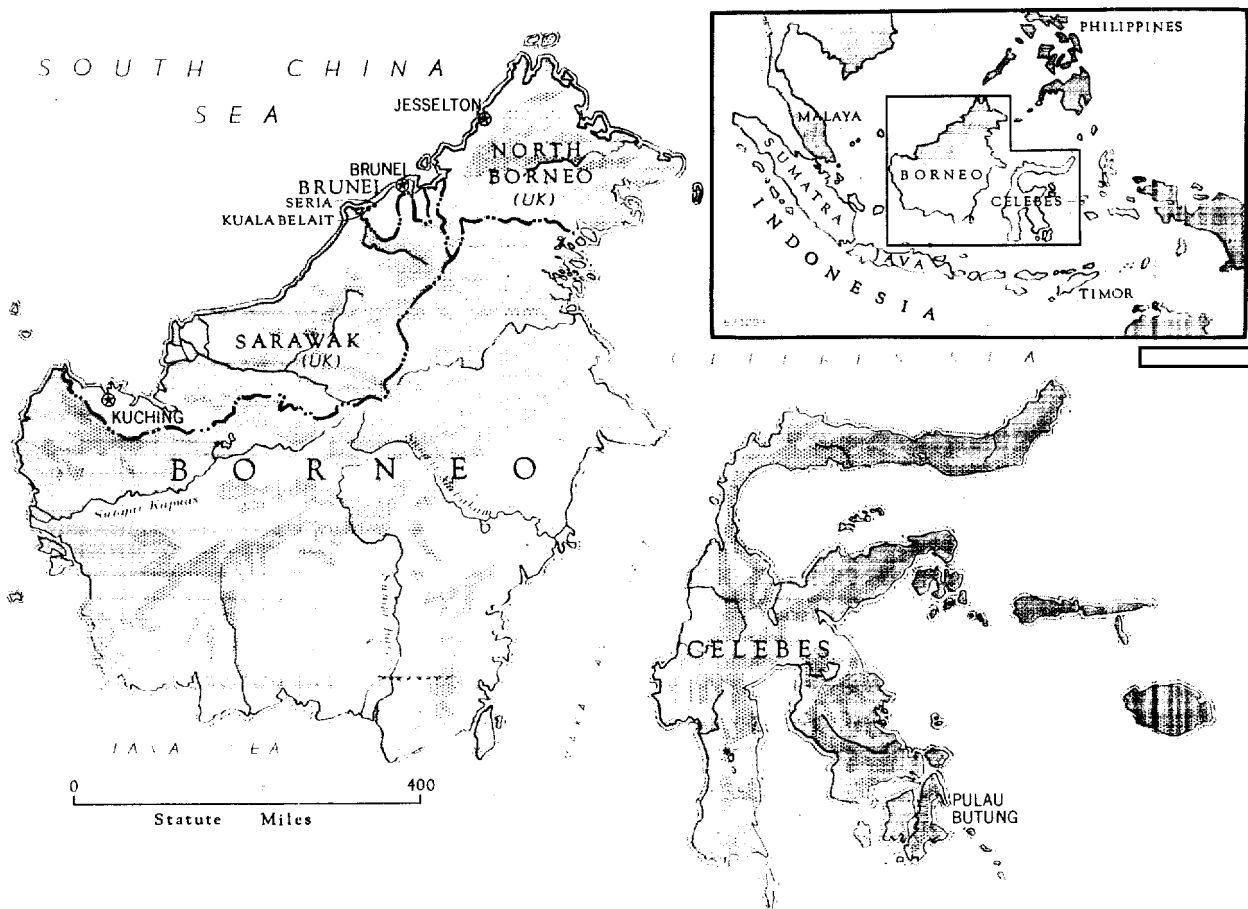
He obviously is concerned that this will demoralize hard-line party functionaries who lean toward the uncompromising positions advocated by Communist China. Ulbricht, on 2 December, warned party dogmatists that concessions by both sides sometimes are necessary in the interests of peaceful coexistence.

He also has launched a campaign against Stalinist abuses in the judicial apparatus, although he continues to justify admitted "violations of legality" as necessary to combat Western subversion against the GDR.

In an effort to increase food production he has issued strict orders against "sectarian" procedures designed to establish greater party control over the peasant.

Ulbricht's moves, however, are likely to spur demands among the East German population for even further de-Stalinization.

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Brunei: British and Malayan troops are moving to regain control of areas held by rebels. The rebels still control some oilfields and are active on the outskirts of a number of towns.

A state of emergency and a 24-hour curfew are in force throughout the protectorate.

At the request of the sultan, Malayan Prime Minister Rahman is sending to Brunei a 160-man crack field-police force. In addition to the 500 troops--including 280 Gurkhas--which the British initially flew from Singapore to Brunei, they have airlifted some 600 marine commandos and about 200 infantrymen.

The government has banned the Party Rakyat (PR), headed by A. M. Azahari--self-styled leader of the 8 December uprising. The government claims that the 3-day-old revolt was engineered by a fanatical group in the PR.



(Map)



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Yugoslavia - Common Market: West Germany is complicating Belgrade's efforts to reach an economic agreement with the Common Market (EEC).

West Germany has persuaded the EEC to delay until next spring technical discussions with the Yugoslavs on specific trade problems. Bonn wants more time to assess current trends in Yugoslavia's foreign policy.

Yugoslavia's trade with the EEC--about 30 percent of its total trade--is a major source of the foreign exchange Belgrade needs to meet its large foreign debt obligations and to expand its industry.

The EEC's decision will probably not impel Tito to seek more than an associate status in CEMA, the Soviet bloc's economic organization. [REDACTED]

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NOTES

25X1 [] Saudi Arabia - UK: Saudi Arabia and the United Kingdom may soon agree to shelve their long-standing Buraimi Oasis dispute and re-establish diplomatic relations, broken off during the Suez crisis of 1956. Both governments are concerned over the threat that a pro-Nasir government in Yemen is likely to pose for the present regimes in the rest of the peninsula. 25X1

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25X1 Brazil: Former President Kubitschek believes Brazil will "collapse within six months" if President Goulart does not soon make firm decisions to cope with the country's grave economic situation. Kubitschek told the US Embassy on 7 December that he has been pleading with Goulart to stop trying to buy popularity by giving in to the demands of various economic groups. Kubitschek hopes Goulart may mend his ways after the 6 January plebiscite on restoration of full presidential powers, but he has no confidence in Goulart's advisers. 25X1

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The Director of the Budget

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The Deputy Under Secretary of State for Political Affairs

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